

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JUNE 30, 2004

PRESENT: Chairman Anthony Maiola and Commissioner John Byrne; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; George Tsiopras, Chief Financial Officer. Guests: Al Picconi, United Beverages, Inc.; Brian Law and Michael Goclowski, Law Warehouse.

EXCUSED: Commissioner Patricia Russell; Nicole Brassard, Wine Marketing Specialist; Evie Taft, Human Resources Administrator.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Store Reports:

Because this is the final week of Fiscal Year 2004, consisting of ten instead of seven days, the financial reports will not be available until tomorrow when the week is closed. The traffic count was up 2,922, with the average sales ticket up \$.59.

B. Budget/Administrative Reports:

Commissioner Maiola and Craig met with the Governor, and succeeded in getting the ACR contract back on the Governor and Council agenda for July 14th. Five waivers were also obtained for four store positions and one warehouse position.

Craig proposed another location for the printer and cabinet at the alternate operations site in Store #76 Hampton, which would be in the upstairs hallway. He has checked to make sure that this location will meet fire codes.

Craig reminded everyone that people will be coming in today to clean inside and outside windows at headquarters. He asked that all items be removed from the floors by Friday night, as carpets will be cleaned throughout the building this weekend.

This is the last day in the transition from Capitol Alarm to Interstate Electric for alarm services. Capitol Alarm has been anything but cooperative in the transition of services. Forty stores were transitioned yesterday, with the remaining being transferred today. Eleven stores which have fire panels will be handled individually, and a few stores may be without alarms for a time.

An amendment will be developed for the current alarm contract so that these transition issues don't occur again in the future.

There was nothing of significance to report regarding the W-6 Expense Budget Activity Report, as there will be a new budget beginning tomorrow. The Commission will continue to pay old bills until the middle of July. Accounts which will lapse represent about \$300,000 in addition to \$200,000 in hiring freeze funds. George will provide the Commission with a report on this. The big accounts being watched closely are utilities and current expenses.

Today is also the last day to meet the revenue estimate, which was at \$9.3 million this morning. This doesn't include \$2 million in gross receipts and credit card figures. Total numbers will be available by tomorrow morning.

There was nothing new to report regarding other contracts. Work is being done on some snow plow agreements, and books are being closed out.

2. IT Report

Howard agreed that the upstairs hallway at the Hampton store looked good for placement of the printer and cabinet. IT is working on reconfiguration of old laptops to be used as terminal devices, if necessary, and for training classes.

Preparations are being made to give Mapper PCMI training. An announcement concerning this will be forthcoming later today.

Credit cards on the web site are now functional for four licensees, but so far have not been used.

The data conversion for the licensee project at Enforcement is right on target, with just a few minor issues to be addressed. The tablets came in this week to be used for licensee checks. Training will be going on both today and tomorrow.

Tonight some changes will be made to the PALS system because the time has been off by a couple of minutes, which has created some issues for Payroll.

II. MARKETING & SALES REPORTS

1. Store Operations

Peter reported that three shoplifters were apprehended at Store #76 in Hampton yesterday, with good cooperative efforts from the state police and local authorities.

The latest issue of “Celebrate New Hampshire” is out, and will be placed into the 14 welcome centers throughout the state. Demand for this publication has been very high.

An e-mail will be sent out shortly on upcoming projects.

The ACR password changes for the stores have just about been completed. The last cluster of stores will be finished up today.

There was discussion regarding the possibility of combining the Berlin and Gorham stores and whether or not the Commission should stay at those locations as tenants-at-will. The Berlin lease expires tomorrow, while the Gorham lease expires at the end of August. Peter explained that new tenants at the plaza in Berlin are using a lot of parking spaces, and that the current location is on a one-way street. There is a new possible location north of the Shaws shopping plaza consisting of 10,000 square feet of space which has plenty of parking space, but would need serious renovations. Commissioner Maiola said senators and representatives from these areas would like to have a meeting concerning this matter. Commissioner Byrne favored staying as tenant-at-will in Berlin while exercising the five-year option in Gorham, with the Gorham issue coming back to the Commission after proformas have been worked out.

2. Purchasing Report

There was brief discussion regarding cuts and lack of inventory of some products at Law Warehouse. Brian Law said he would check on the status of the frozen Folonari wines which have been at Law since 2003.

3. Merchandising Report

1) Test Market Products:

a. Test Market Request (Laphroaig Cask Strength Single Malt):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA for a new test market listing for Laphroaig Cask Strength Single Malt Scotch, 750ML size (assigned four-digit Code #2661), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Test Market Request (Songo di Sorrento Crema Lemoncello):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/Cive Importing Co. for a new test market listing for Songo di Sorrento Crema Lemoncello, 750ML size (assigned four-digit Code #6126), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. Test Market Request (Tormore Single Speyside Malt):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA for a new test market listing for Tormore Single Speyside Malt, 750ML size (assigned four-digit Code #2612), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. Test Market Request (Blue Lightning Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission deny a request from United Beverages, Inc./Barton Brands LTD for a new test market listing for Blue Lightning Vodka, 1.75L size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. Test Market Request (Taaka Platinum Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Sazerac Company, Inc. for a new test market listing for Taaka Platinum Vodka, 1.75L size (assigned four-digit Code #3522), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. Test Market Request (Black Velvet Reserve):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Barton Brands Ltd. for a new test market listing for

Black Velvet Reserve, 750ML size (assigned four-digit Code #2690), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. Test Market Request (Kings Crest Blended Scotch Whisky):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./International Brands, Inc. for a new test market listing for Kings Crest 25-Year Old Blended Scotch Whisky, 750ML size (assigned four-digit Code #2647), with limited distribution to Cluster 1 and 2 stores, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

h. Test Market Request (Arrow Blackberry Brandy):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./David Sherman Corporation for a new test market listing for Arrow Blackberry Brandy, 750ML size (assigned four-digit Code #5507), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

i. Test Market Request (4 Beachcomber rums):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Barton Brands, Ltd. for new test market listings for the following four (4) Beachcomber brand 750ML size rums, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Apple Rum (assigned Code #4341); Coconut Rum (assigned Code #4342); Pineapple Rum (assigned Code #4343) and Spiced Rum (assigned Code #4344). The motion was unanimously adopted.

j. Test Market Results (Codes #4227, #4561, #608, #4221):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the delisting of Code #4227, Gosling Black Seal Rum, 375ML size, for failure to reach gross profit requirements at the conclusion of a six-month test market period,

and grant specialty statuses to Code #4561, Saint Vivant Armagnac, Code #608, Cruzan Estate Rum and Code #4221, Gosling Old Family Reserve Rum, 750ML sizes, all of which failed to reach gross profit requirements for full distribution, but did reach gross profit requirements for specialty item status at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

k. Test Market Request (Arrow Amaretto Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./David Sherman Corporation for a new test market listing for Arrow Amaretto Liqueur, 750ML size (assigned four-digit Code #8138), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) One-Time Buy Requests:

a. Stoli Vanila and Kahlua, 50ML:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a one-time purchase of nine (9) cases of Stoli Vanila and Kahlua, 50ML sizes, packaged together, with one (1) case to be distributed to Stores #38 Portsmouth, #66 and #67 Hooksett, #73 and #76 Hampton, #34 Salem, #50 and #69 Nashua and #60 West Lebanon, with an additional one (1) case in absoluts established in reserve for these locations, in conjunction with non-alcoholic tastings of Kahlua occurring during July and August 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Chambord Royale Glass Gift Set:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission deny an offer from United Beverages, Inc./Charles Jacquin, Inc. for the Commission to make a one-time purchase of Code #8725, Chambord Royale Glass Gift Set, 375ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Swap Request (Barton Long Island Iced Tea):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission deny a request from United Beverages, Inc./Barton Brands Ltd. to allow a swap from Code #5482, Barton Long Island Iced Tea, 750ML size, to this item in the 1.75L size. The motion was unanimously adopted.

4) August Special Offers:

a. 61 items – Executive Wine/Martignetti Companies:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of sixty-one (61) spirit items, to be featured on sale during August 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 122 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of one hundred and twenty-two (122) spirit items, to be featured on sale during August 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 2 items (unmatched) – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of two (2) spirit items (without matching funds), to be featured on sale during August 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 151 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred fifty-one (151)

spirit items, to be featured on sale during August 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for the Summer Sale 2004 (21 items – United Beverages):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of twenty-one (21) wine items, to be featured on sale during August for the Summer Sale 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for August 2004:

a. 5 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve revised special offers from Executive Wine & Spirits, based upon depletions of five (5) wine items, to be featured on sale during August 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 126 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred twenty-six (126) wine items, to be featured on sale during August 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Avery Lane:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve an offer from M.S. Walker, Inc./Avery Lane Winery of special purchase allowances and depletion allowances during July, August and September 2004 on four (4) Avery Lane wine items, as

NEW HAMPSHIRE STATE LIQUOR COMMISSION
MINUTES OF MEETING – JUNE 30, 2004

Page Nine

recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Cruiser X Scooters Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve an offer from M.S. Walker, Inc./El Paseo Wines to conduct a Cruiser X Scooters Sweepstakes during August and September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) RJ Phillips with a Twist Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve an offer from United Beverages, Inc./Connoisseur Wine Company to conduct a RJ Phillips with a Twist Sweepstakes during August and September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) In Store Events with Peter Merriam:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from R.P. Imports/Merriam Vineyards to conduct bottle signings and tastings in select locations during August 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Close Outs:

a. 2 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve close out price reductions from Perfecta Wine Company on two (2) wine items, including a floor stock adjustment, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 3 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve close out price reductions from

Martignetti Companies of N.H. on three (3) wine items, including a floor stock adjustment, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 25 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve close out price reductions from United Beverages, Inc. on twenty-five (25) wine items, including a floor stock adjustment, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 19 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve close out price reductions from United Beverages, Inc. on nineteen (19) wine items, including a floor stock adjustment, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Recommended Wine Specialty Products (43 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve forty-three (43) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Recommended Allocated Wines for Distribution to Selected Stores (6 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve six (6) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Primary Source Submissions (3 items – primary source; 10 items – exclusive agent; 32 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, and that the Commission approve the listing of three (3) wine codes which

are from primary source, ten (10) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and thirty-two (32) wine codes which are not from primary source, but are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve all previously reviewed requests for bailment releases/transfers dated June 23 through June 30, 2004. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for the month of July 2004. The motion was unanimously adopted.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

/D. Hartford

